

**COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY**

**RE: PHASE II OF THE DEPARTMENT OF
THE TELECOMMUNICATIONS
AND ENERGY INVESTIGATION INTO
COMPETITIVE MARKET INITIATIVES**

DTE 01-54

**PHASE II REPLY COMMENTS OF THE
DIVISION OF ENERGY RESOURCES**

DOER appreciates the opportunity to reply to the Initial Comments filed by commenters in Phase II of the above-referenced proceeding. Because Initial Comments filed by DOER have addressed mostly the same issues as the other commenters, DOER limits its statement here to the new issues raised in the initial round of comments.

DOER would like to address the proposal filed by USource, LLC, in its Initial Comments for Phase II of this proceeding. DOER is pleased that USource is interested in including in its proposal all service territories in the state and that its service would be available to the smaller customer classes. DOER encourages licensed suppliers and brokers to be creative in developing solutions to this slowly developing competitive environment of the electric industry. DOER urges USource to continue its efforts to invite customers to join buying pools, further reducing the costs that customers pay. DOER considers such buying pools to be an evolved form of the kinds of products and services that can be offered in this industry as it matures.

However, DOER repeats some of the concerns raised in its Initial Comments regarding the involvement of USource in an auction process run by the Companies. While the model is considered a perfectly legitimate activity, DOER believes this approach, when instituted by the Companies, should be run by the Companies to ensure no unfair advantage to a broker that shares the parent company of one of the affiliates.

After a review of the USource Proposal, DOER sees no reason why each of the Companies could not manage its own auction program if it wishes. DOER expects such programs may face certain challenges including the following: 1) the possibility that the program may be under-enrolled for extended periods of time before becoming an adequately sized pool; 2) the need to offer very clear terms (particularly stating that a customer will not be signing up for a known price, and may be hindered from choice during a set period of time); and, 3) the need to appropriately determine and allocate the cost of such a program.

Customer Account Numbers and Unique Identifiers

DOER believes certain non-proprietary customer information could be useful in bringing energy products to market. For instance, DOER supports inclusion of the customer account number because it helps avoid human error in the customer enrollment process and provides a unique identifier for suppliers needing to exclude customers in the opt-out process. Some commenters expressed concern that access to customer account

information will enable unauthorized enrollments. DOER believes there are adequate consumer protections from unauthorized enrollments and that the potential loss of a license and the threat of unfavorable publicity serve as significant disincentives for misuse of this information.

Up to now, the use of the first four letters of a customers account name have been considered one way of identifying customers uniquely. This approach appears to have caused an unnecessary amount of errors however, and arguably does not provide enough characters to allow for unique identification. In addition, the Department is considering removing that requirement in the enrollment process. In the event that the Department decides to withhold account numbers from the customer lists, DOER supports the use of a unique identifier. DOER recognizes that some of the Companies believe adding a unique identifier to their system would be too costly. Those companies should propose a less costly solution that will provide adequate information to assist in making the opt-out process work effectively.

Zonal and Nodal Information

AES New Energy, Inc., Green Mountain Energy, National Energy Marketers Association, The NewPower Company, SmartEnergy, Inc., and Strategic Energy Ltd., (together "the Supplier Group") have proposed that the customer lists provided by the Companies should include zonal and nodal information.¹ While DOER anticipates exploring more fully the impact of nodal and zonal pricing on competitive energy supply

prices, DOER believes that including this information would be useful to suppliers and should not be considered private or proprietary information. DOER believes that such information could aid suppliers in deciding which markets they can serve most cost-effectively² and allow them to market products to customers with prices based on a customer's previously known location.³

Respectfully submitted,

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¹ Supplier Group, 01-54 Phase II Initial Comments at 11.

² Since LMP relies upon the zones and nodes that are between the generation and the customer, suppliers will conceivably desire customers that are closer to the generation they are procuring or producing. DOER recognizes that the energy does not necessarily flow using the path between the generation and the customer; one result of LMP is that it puts a value on the degree of congestion in the customer's area and encourages more equitable decision-making in allocating transmission and distributed resource spending.

³ Rather than forcing suppliers to reach the customer first and then setting a price based on its location.